

10/06/2016

Financial Snapshot:

Lighting Segment: Shit anchor for the overall Revenue:

Bajaj Electricals top line for the Q4FY16 rose by a 3% YoY amounting to INR 1357cr. The main reason for this mere growth is decline in E&P & consumer durable segments. The E&P segment de-grow by 1.5% YoY amounting to INR 486cr while on the other hand, consumer durable segment de-grow by .4% YoY amounting to INR 544cr. the lighting segment reported a strong growth of 18% YoY to INR 327cr which has given overall revenue a positive edge and pulled up the overall results & revenue of the Q4FY16.

Operating Performance: Pushing down overall Profitability:

The company's bottom-line declined by 26% YoY amounting to INR 35cr against INR 47cr in the same quarter last year, which is because of poor operating performance & higher tax rates. The margin had a contraction of 34bps YoY.

Investment Rationale:

Brand Power, Strong Leadership, Replenishment Strategy: Key Drivers:

As compared to market competitors, BEL has a strong position and a dominant leadership position. BEL has collaborated with the known global brands in each segment which has provided robust growth opportunities over the years. BEL carries a leading position in consumer durables.

The company strategically revamped its product portfolio & kicked non performing products from its portfolio. The company has introduced better products with good quality & also the premium range products in its portfolio. Though in the near term, there might be some pressure in terms of demand due to slackness in the market, but the outlook is positive after FY2017 as is being expected by most industry players. With increasing per capita income for the urban population, discretionary spends are expected to increase, which will drive growth for the Consumer durables segment. Its high-end products also have a growing acceptance with consistent performance from brands like Morphy Richards.

Also, government's initiatives to build smart cities will require smart lighting solutions, which will drive growth for the company's Lighting segment considering its well established position. Also, increasing focus on the LED division would ensure that decline in CFL due to switch of consumer preference would be addressed appropriately.

Key Concerns:

Inflation: The inflation pressure will resist the pickup in volumes.

Currency Fluctuation: The Company has a substantial portion of imports from various associated foreign brands which poses a risk of currency fluctuation & will impact the profitability.

Sector: Consumer Durables

Stock Summary:

Particular	
CMP	233.40
Target Price	268
Potential Upside	14.8%
O/S No of Shares	10.09
Market Cap.	2317.08
Equity Cap.	20.15
52 Week High	308
52 Week Low	155
Face Value	2
NSE Code	BAJAJELEC
BSE Code	500031

Share Holding Pattern:

Particular	Mar-16
Promoters	63.61%
Public (FIIs+DIIs)	36.39%
Others	0%
Total	100%

Stock Performance:



Brand Associations:

Products	Brand
Luminaries	Trilux Lenze (Germany)
Street Lights	CREE Lighting (USA), Disano (Italy)
Building management systems	Delta Controls (Canada)
LED	Rudd (US)
Appliances	Morphy Richards (UK), Nardi (Italy)
Fans	Disney (USA), Media (China)
Fire alarm system	Securiton (Switzerland)

Outlook and Valuation

With the expectations of timely execution of the new projects in the E&P segment and with Lighting and Consumer durables segments, it is expected that it will improve and benefit the consumer segment in the near future, we expect the company's top-line to grow at a CAGR of ~15% to INR 6,098cr and bottom-line to grow at a CAGR of 29% to INR 159cr over FY2016-FY2018E. We recommend a Buy on the stock with a target price of INR 268.

Performance Insight:

Particular	Q4FY16	Q4FY15	% YoY	Q3FY15	% QoQ
Net Sales	1357	1316	3.1	1130	20.1
EBIT	74	77	-2.9	79	-5.4
EBITDA (Margin) (%)	5.5	5.8	-34	7.0	-148
Adjusted PAT	35	47	-26.0	29	18.4

Financial Statements:

Income Statement

Particular	FY13	FY14	FY15	FY16	FY17E	FY18E
Total operating income	3,377	4,030	4,258	4,612	5,351	6,098
% chg	9.0	19.3	5.7	8.3	16.0	14.0
Total Expenditure	3,223	3,884	4,113	4,353	5,048	5,736
Cost of Materials	2,655	2,959	3,082	3,082	3,637	4,157
Personnel	167	186	226	284	348	427
Others Expenses	401	739	804	987	1,063	1,152
EBITDA	154	145	146	259	303	361
% chg	(44.7)	(5.5)	0.0	78.2	16.7	19.4
(% of Net Sales)	4.6	3.6	3.4	5.6	5.7	5.9
Depreciation & Amortization	14	25	29	27	34	37
EBIT	140	121	117	232	268	324
% chg	(47.5)	(13.5)	(3.5)	99.3	15.5	20.8
(% of Net Sales)	4.1	3.0	2.7	5.0	5.0	5.3
Interest & other Charges	69	78	105	101	105	110
Other Income	42	15	24	23	23	23
(% of PBT)	37.0	26.3	68.0	14.9	12.4	9.7
Share in profit of Associates	-	-	-	-	-	-
Recurring PBT	112	58	36	154	186	237
% chg	(48.4)	(48.6)	(38.0)	330.1	21.2	27.3
Prior Period & Extraord. Exp./(Inc.)	-	-	-	-	-	-
PBT (reported)	112	58	36	154	186	237
Tax	18	(1)	(7)	58	61	78
(% of PBT)	15.8	(1.1)	(19.2)	37.7	33.0	33.0
PAT (reported)	94	58	43	96	125	159
Add: Share of earnings of asso.	-	-	-	-	-	-
ADJ. PAT	94	58	43	96	125	159
% chg	32.9	(5.3)	(14.0)	95.6	124.8	158.9
(% of Net Sales)	2.8	1.4	1.0	2.1	2.3	2.6
Basic EPS	3.3	(0.5)	(1.4)	9.5	12.4	15.7
Fully Diluted EPS	3.3	(0.5)	(1.4)	9.5	12.4	15.7
% chg	(72.1)	(116.2)	162.7	(785.4)	30.6	27.3

Balance Sheet

Particular	FY13	FY14	FY15	FY16E	FY17E	FY18E
SOURCES OF FUNDS						
Equity Share Capital	20	20	20	20	20	20
Reserves& Surplus	709	689	667	747	847	966
Shareholders' Funds	729	709	687	767	867	987
Minority Interest	-	-	-	-	-	-
Total Loans	166	348	409	212	200	200
Deferred Tax Liability	17	16	13	13	13	13
Total Liabilities	912	1,074	1,109	992	1,080	1,199
APPLICATION OF FUNDS						
Gross Block	326	372	432	472	512	552
Less: Acc. Depreciation	97	120	152	179	213	251
Net Block	229	252	280	293	299	301
Capital Work-in-Progress	6	3	3	3	3	3
Investments	30	67	59	59	59	59
Current Assets	1,887	2,341	2,441	2,333	2,507	2,737
Inventories	421	447	475	505	586	652
Sundry Debtors	938	1,235	1,290	1,365	1,583	1,737
Cash	50	54	38	59	59	43
Loans & Advances	142	137	167	55	64	61
Other Assets	336	467	471	349	214	244
Current liabilities	1,263	1,627	1,734	1,758	1,850	1,964
Net Current Assets	625	714	707	575	657	774
Deferred Tax Asset	25	42	62	62	62	62
Mis. Exp. not written off	-	-	-	-	-	-
Total Assets	912	1,074	1,109	992	1,080	1,199

Cash flow Statement:

Particular	FY13	FY14	FY15	FY16E	FY17E	FY18E
Profit before tax	69	(6)	(21)	154	186	237
Depreciation	14	25	29	27	34	37
Change in Working Capital	12	(130)	(42)	153	(82)	(132)
Interest / Dividend (Net)	66	73	100	101	105	110
Direct taxes paid	(40)	1	7	(58)	(61)	(78)
Others	19	31	15	-	-	-
Cash Flow from Operations	141	(7)	88	378	182	174
(Inc.)/ Dec. in Fixed Assets	14	(114)	(41)	(40)	(40)	(40)
(Inc.)/ Dec. in Investments	14	(38)	8	-	-	-
Cash Flow from Investing	(0)	(76)	(49)	(40)	(40)	(40)
Issue of Equity	1	4	13	-	-	-
Inc./ (Dec.) in loans	-	-	-	(197)	(12)	-
Dividend Paid (Incl. Tax)	(28)	(20)	(15)	(15)	(25)	(40)
Interest / Dividend (Net)	(116)	106	(51)	(104)	(105)	(110)
Cash Flow from Financing	(142)	89	(53)	(316)	(142)	(150)
Inc./ (Dec.) in Cash	(2)	6	(14)	21	0	(16)
Opening Cash balances	52	48	52	38	59	59
Closing Cash balances	50	54	38	59	59	43

Ratio Analysis:

Particular	FY13	FY14	FY15	FY16E	FY17E	FY18E
Valuation Ratio (x)						
P/E (on FDEPS)	70.0	(433.5)	(165.0)	24.1	18.4	14.5
P/CEPS	35.1	118.4	152.6	18.7	14.5	11.7
P/BV	3.2	3.2	3.4	3.0	2.7	2.3
Dividend yield (%)	0.9	0.7	0.7	0.7	1.1	1.7
EV/Sales	0.7	0.6	0.6	0.5	0.4	0.4
EV/EBITDA	15.5	17.4	18.0	6.9	5.9	5.0
EV / Total Assets	1.1	0.9	0.9	0.9	0.8	0.8
Per Share Data						
EPS (Basic)	3.3	(0.5)	(1.4)	9.5	12.4	15.7
EPS (fully diluted)	3.3	(0.5)	(1.4)	9.5	12.4	15.7
Cash EPS	6.5	1.9	1.5	12.2	15.8	19.4
DPS	2.0	1.5	1.5	1.5	2.5	3.9
Book Value	72.2	70.2	68.1	76.0	85.9	97.7
Returns (%)						
ROCE	15.6	11.4	10.6	32.5	34.5	37.1
Angel ROIC (Pre-tax)	17.1	12.9	11.7	37.0	38.8	40.6
ROE	12.9	8.2	6.2	23.7	25.9	27.8
Turnover ratios (x)						
Asset Turnover (Gross Block)	10.4	10.8	9.9	9.8	10.5	11.0
Inventory / Sales (days)	46	40	41	40	40	39
Receivables (days)	101	112	111	108	108	104
Payables (days)	49	50	49	50	51	52
WC cycle (ex-cash) (days)	98	103	102	98	97	91

DISCLAIMER

Trifid Research respects and values the Right to Privacy of each and every individual. We are esteemed by the relationship and by becoming our clients; you have a promise from our side that we shall remain loyal to all our clients and non-clients whose information resides with us. This Privacy Policy of Trifid Research applies to the current clients as well as former clients. Below are the word by word credentials of our Privacy Policy:

1. Your information, whether public or private, will not be sold, rented, exchanged, transferred or given to any company or individual for any reason without your consent.
2. The only use we will be bringing to your information will be for providing the services to you for which you have subscribed to us.
3. Your information given to us represents your identity with us. If any changes are brought in any of the fields of which you have provided us the information, you shall bring it to our notice by either calling us or dropping a mail to us.
4. In addition to the service provided to you, your information (mobile number, E-mail ID etc.) can be brought in use for sending you newsletters, surveys, contest information, or information about any new services of the company which will be for your benefit and while subscribing for our services, you agree that Trifid Research has the right to do so.
5. By subscribing to our services, you consent to our Privacy Policy and Terms of Use.
6. Trifid research does not guarantee or is responsible in any which way, for the trade execution of our recommendations, this is the sole responsibility of the client.
7. Due to the market's volatile nature, the trader may/ may not get appropriate opportunity to execute the trades at the mentioned prices and Trifid Research hold's no liability for any profit/ loss incurred whatsoever in this case.
8. It is the responsibility of the client to view the report timely from our Premium member section on our website: www.trifidresearch.com and the same will also be mailed to this registered email id.
9. Trifid research does not hold any liability or responsibility of delay in mail delivery of reports, as this depends on our mail service provider's network infrastructure.
10. The clients can call us for any query related to buying/selling the securities, based on our recommendations.